

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 FEA-02 AGR-20 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 TRSE-00 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01

DRC-01 CU-05 /123 W

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P R 211057Z AUG 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 485

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (AUGUST 14-20, 1974)

1. TOTAL FOREIGN EXCHANGE SALES FOR WEEK OF AUG 12 WERE \$488,000, 53 PERCENT OF WEEKLY AVERAGE DURING JAN-JUNE 1974. COMPOSITION OF SALES WAS FOODSTUFFS 42 PERCENT, POL 35 PERCENT, EDUCATIONAL TRAVEL 6 PERCENT, OTHERS 17 PERCENT.

2. PARALLEL MARKET TRANSACTIONS CONTINUED WITH LOW VOLUME AT STABLE RATES, WITH MONEY CHANGERS AND OTHER DEALERS BUYING \$1 FOR APPROXIMATELY 1,050 KIP, SELLING FOR APPROXIMATELY 1,100 AND BUYING BAHT FOR 53 KIP, SELLING FOR 53.5 TO 54.

3. AFTER A LENGTHY PERIOD OF REASONABLE STABILITY OF IMPORTED COMMODITY PRICES, ONE THIRD OF THOSE IMPORTS REGULARLY SURVEYED NOW SHOW PRICE INCREASES SINCE AUGUST 1. SOME ITEMS WERE REMOVED FROM SHELVES FOR A SHORT PERIOD AWAITING PRICE INCREASE APPROVAL. WITH ONLY CEMENT NOT AVAILABLE IN RECENT WEEKS. RECENT PRICE INCREASES DUE NOT ONLY TO EXCHANGE CONTROLS AND DE FACTO DEVALUATION, BUT ALSO DUE TO INCREASED FOB PRICES OF COMMODITIES (E.G., YEN COST OF JAPANESE BICYCLES AND MOTORCYCLES HAS INCREASED).

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4. ALTHOUGH OPEN MARKET PRICE OF RICE DID NOT DECLINE, THE RICE INDEX HAS BEEN ADJUSTED TO REFLECT THAT SALES BY THE NATIONAL RICE OFFICE AT MUCH LOWER PRICES NOW SUPPLY ROUGHLY 40 PERCENT OF VIENTIANE COMMERCIAL REQUIREMENT. NON-RICE INDEX INCREASE CAUSED BY RISING PRICES OF THAI FISH. USAID COST-OF-LIVING INDEX AUGUST 19 REFLECTED FOLLOWING CHANGES.

	PERCENT CHANGE SINCE		
	AUG 12	JUL 17	END 1973
GENERAL INDEX	(-0.4)	11.8	49.6
RICE INDEX	(-6.5)	24.7	72.8
NON-RICE INDEX	1.6	8.4	43.7

5. THE ECONOMIC SITUATION FOR OTHER URBAN AREAS IN LAOS IS SIMILAR TO THAT OF VIENTIANE, EXCEPT ECONOMIES INITIALLY REACT MORE SLOWLY TO PGNU ACTIONS AND ARE THEN MORE PRONE TO OVER-REACT. RATES OF EXCHANGE ARE CLOSE TO VIENTIANE QUOTES, BUT MONEY CHANGERS STILL APPEAR RELUCTANT TO SELL BAHT AND DOLLARS. WITH MUCH LESS PGNU CONTROL APPARATUS, MERCHANTS IN SOME AREAS ARE ABLE TO MANIPULATE THE MARKET MORE EASILY. BAN HOU EI SAI AND ESPECIALLY LUANG PRABANG, ALONG WITH SOME MINOR MARKET AREAS, HAVE HIGHER PRICES THAN VIENTIANE AND SUFFER PROBLEMS OF SUPPLY.

6. EMPLOYEES OF THE VIENTIANE PREFECTURE PUBLIC WORKS SECTION, OB HOSPITAL IN VANG VIENG, LAO WOOD INDUSTRIES, AND CONTINENTAL AIR SERVICE WENT ON STRIKE DURING PAST WEEK FOR HIGHER WAGES AND, EXCEPT FOR LAO WOOD, REMOVAL OF CERTAIN DISLIKED SUPERVISORS. STUDENT ACTIVISTS FROM IRDA (LAW SCHOOL OF VIENTIANE) ASSISTED AND OFTEN SPOKE FOR THE STRIKERS, THE FEDERATION OF WORKERS, LED BY SISAVONG CHANTHEPHA, A LEFT-LEANING NEUTRALIST MEMBER OF NATIONAL POLITICAL COUNCIL, WAS ALSO ACTIVE. THE NEWLY DESIGNATED PREFECT (MAYOR) OF VIENTIANE FLEW FROM LUANG PRABANG ON ORDER OF PHENG PHONGSAVAN (MINISTER OF INTERIOR), AND ACTING AS MEDIATOR, GRANTED PUBLIC WORKS DAILY HIRE EMPLOYEES A 70 PERCENT PAY INCREASE. THIS UNDERCUT THE UNYIELDING PUBLIC STAND OF THE ABOUT TO RETIRE INCUMBENT PREFECT. LAO WOOD, ANTICIPATING 30 PERCENT AND COUNTING ON INCUMBENT PREFECT TO HOLD LINE, COMMITTED ITSELF TO FOLLOW PREFECTURE LEAD ALTHOUGH ITS EMPLOYEES ASKING FOR ONLY 50 PERCENT INCREASE. IT IS ONLY FIRM STILL ON STRIKE.

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7. DECONTROL FOLLOWING 8/21/75.
WHITEHOUSE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, TRADE, MARKETS, FOREIGN EXCHANGE RATES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
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Film Number: D740230-0340
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ISecure: 1
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